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NATIONAL REVIEW

Bulletin

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EDITOR: William F. Buckley Jr. PUBLISHER: William A. Rusher
EDITORS: L. Brent Bozell, James Burnham, Willmoore Kendall, Frank S. Meyer, William F. Rickenbacker
MANAGING EDITOR: Priscilla L. Buckley

The stupefaction of the American people over the news from Katanga ended finally when a group of citizens rose up from their numbness to form the American Committee to Aid the Katanga Freedom Fighters. For a few days the news literally paralyzed us all: was it conceivable that the armed forces of the United Nations should be used to bomb cities, schools, and hospitals—not to guarantee the peace of the world, for Katanga hardly held forward that threat, but to require one geographical section of a former European colony to submit to the political authority of another section? Was this indeed what the United Nations was founded to do?

And lifting the problem out of the abstract level, what had got into the *United States*—that it should sanction, and indeed vigorously support the United Nations in such a venture in illegality when, on top of it all, the concrete effect of its action would be to immobilize the single force within the chaotic non-nation that febrile anti-colonialism and Belgian funk built, which has proved a) stable; b) solvent; c) anti-Communist; and d) pro-West? Mr. Kennedy's apologists rushed forward an explanation: We needed to integrate Katanga into the central government in order to contain the Communist Gizenga in Stanleyville. Question. If we have to use troops and fire bullets, why then not aim them at said Communist Gizenga, whose defiance of the central Congo government has been as obstinate as Tshombe's? And Question Two. How shall we insure that, after Tshombe's downfall, the Adoula government will subdue Gizenga? It has not in the past shown anything like the necessary strength to prevail over the wily Gizenga, backed by the Soviet Union and, in practical effect, the United Nations.

Katanga's defenders are indeed, as the new Committee shrewdly observed, the freedom fighters of 1961. They are being overwhelmed by alien forces whose objective is to override the desire of the great majority of the Katangese, black and white, to maintain a considerable measure of local autonomy. The head of the new Katanga Committee is Dr. Max Yergan, a distinguished Negro scholar and expert on African affairs. The Committee's address is 79 Madison Avenue, New York 16, N. Y. Its intention is, while there is still time, to defy the United Nations by mobilizing American support for the freedom fighters of Moise Tshombe—who said last week, in rage and bitterness, "The Americans are sending dollars, planes and diplomats to the Congo, everything except soldiers because the American man is too cowardly and decadent to carry out such dangerous tasks as long as he can use the skin and blood of the men of Mr. Nehru, who has plenty of them to sell." Bitter words—and bitter truths. But Mr. Tshombe may yet learn that the acts of the United Nations, even when endorsed by the Kennedy Administration, do not necessarily reflect the views of the American people.

The WEEK

● MY-UN-RIGHT-OR-WRONG DEPARTMENT: Max Lerner, writing in the December 8 *New York Post:* "There is plenty of room for doubt about the wisdom of the UN's action [in Katanga] but no room for hesitancy about backing it up in an open-eyed way, doubts and all. Once the UN has decided, wrongly or rightly, that a certain political solution is necessary for peace, it seems to me it must be imposed. . . . Because what is at stake is the principle of developing a collective will behind the UN, to serve world peace in more dangerous crises in the future." Very well. There's no doubt, then, which side Mr. Lerner will be on if the UN decides it has to fight for peace in—say, the United States. There's no prohibition against sound sense for newspaper columnists, however—as William S. White, formerly of the *New York Times*, made clear in the *New York Journal-American*, December 12. Writing on the U.S. support of the UN's invasion of Katanga, Mr. White observed: "For the first time in his life, one correspondent cannot find it honestly possible to back his government—under whatever party's control it might be—in a crisis abroad. Through no amount of effort can he make himself believe that what is going on is just, or in our national interest, or in the interest of the free world generally."

● Gen. Edwin A. Walker (retired) made his first public appearance since his resignation at a giant "welcome home" rally in Dallas last Tuesday. The turnout was disappointing—only 6,000 of an expected 10,000 showed up on a cold and blustery night—but those who did were enthusiastic. They interrupted the general 109 times in the course of a 90-minute speech—gave him more than 15 standing ovations as he explained why he had been forced to quit the army. "Today, our relation and subordination to the United Nations puts every man signing the oath [of allegiance] under a double standard. We are sworn to defend America but have to abide by UN decisions. Under these conditions, the oath becomes falsified and fictitious. I could no longer serve in uniform and be a collaborator with this release of our sovereignty to the UN." There was no need to spell it out in greater detail, not on the night when United Nations troops were massing for the final big attack on Katanga.

Crawford, *Newark News*

● Members of the Yale chapter of Young Americans for Freedom staged the first "Victory Walk" in right-wing annals last week. Starting from their campus at New Haven, they trekked 55 miles to the Polaris submarine missile base at Groton, Conn., site of numerous pacifist demonstrations. The purpose, said Yaleman William G. Johnson Jr., was "to show the political leaders of the Communist and so-called neutralist countries that the young people of America firmly support a strong defense establishment for our country, and are not afraid to say so." As the students marched through town after town, they were greeted by mayors, labor leaders, and enthusiastic, sympathetic groups of young people and townspeople.

● Bertrand (Bombast the Ban) Russell and his passive resisters, allied with the not-so-passive unilateralist extremists who predicted a gigantic demonstration Dec. 6 against U.S. air bases in Britain, have confessed their balm was a dud. The weather was chilly and dank; not proper for the peace de resistance. There were too many policemen, and they were too polite ("You'll catch your death, Miss, if you sit on that wet grass much longer," said one bobbie to a girl in the standard non-nuclear uniform—black tights, scabrous jacket). And perhaps the most effective obstacle were those signs prominently hung outside the air bases, informing the passivists and pacifists that the penalty for illegal entry is two years' imprisonment. Not even the black-tights set could stand being that passive for *that* long.

JFK's Uncommon Market

The idea of the Common Market has become popular, and with popularity it has undergone considerable distortion. The Kennedy Administration has plumped for lower tariffs but disavowed the goal of membership in an Atlantic Common Market. The One-Worlders have used the Common Market as a plea for World Government. Social meddlers see in the idea a chance to intrude federal programs in a variety of affected industries, areas, and employment blocs. It is time to make distinctions, and we may as well start with an example of the kind of talk that damages the true idea of the Common Market.

President Kennedy, addressing the National Association of Manufacturers on December 6, said: "Led by the two great common markets of the Atlantic, trade barriers in all the industrial nations must be brought down." Recognizing that the resultant competition will enforce economic discipline upon us, he added: "Labor, too, has its responsibility for price stability, and I shall stress this tomorrow in addressing the AFL-CIO."

But when he addressed the AFL-CIO, Mr. Kennedy had very little to say about labor's part in price stability and didn't even mention wage stability. Instead, he promised to work for legislation to "protect" industries hurt by imports, and announced a six-point plan to balance the "manpower budget" (euphemism for "guaranteeing" full employment). His six points: 1) federal aid to education; 2) federal training programs for unemployed and underemployed (whazzat?); 3) federal guarantee of equal job opportunity for minority groups; 4) tax credits to encourage investment in production facilities; 5) federal grants to depressed areas; 6) and—oh yes—something about tariff policies to spur foreign trade.

Three days later the Administration announced that it hoped to keep fiscal 1963 appropriations below $100 billion: admitting, in effect, that it lacked either the will or the power to get the federal budget under control.

All of which is a sad perversion of the idea of the Common Market as practiced in western Europe, which

has prospered by reducing costs and keeping sound currencies. The United States cannot reduce costs if it cuts tariffs but turns around and increases the tax load on industry in order to pay for enormously increased federal spending for—education, training, employment guarantees, depressed areas, and so on. If, instead of raising taxes, we take the deficit route with $100 billion budgets, inflation will raise our costs by far more than they might have dropped with any tariff cuts.

Among the many reasons NATIONAL REVIEW has for advocating the Common Market is that it will enforce upon the United States the discipline that we have sought to escape for thirty years: balanced budgets, a stable currency, cost reduction to meet competition, flexibility and mobility of labor and capital. The Kennedy Administration seeks the benefit of trade without the discipline of trade, and any such self-defeating policy is bound to do still further damage to our tottering finances.

What Are We Waiting For?

Our intelligence, military, and scientific agencies are making an exhaustive analysis of the results of the Soviet Union's autumn series of nuclear tests. The study is not yet complete, and findings are still secret—as most of them will continue to be. However, it has become known that some conclusions have already been reached. All of them are alarming.

By his long and carefully prepared month of nuclear blasts, the enemy made giant leaps forward in his nuclear capability. His demonstrated possession of huge hundred-megaton (100,000,000-ton TNT-equivalent) devices is the least surprising and, in most respects, least alarming. Far more important is his apparent achievement of a major reduction in the size of the fission bomb (A-bomb) that is required, in current technologies, to trigger an H-bomb. This means that he can get a given explosive yield at a much lower total weight: that is, can greatly lighten his warheads, relative to their destructive power, and thus enormously increase his missile efficiency.

This reduction in "weight-to-yield" ratio proves that the enemy can now arm his largest missiles with super-bombs of 50-megaton or higher yield. It also makes it possible for him to build small missiles, which are therefore easier to conceal, capable of carrying warheads of high explosive power. Further, the reduction in relative size of the trigger device is an important step toward the formidable neutron bomb.

It has always been assumed that our nuclear armament is far superior to the enemy's, not only in quantity but most particularly in quality and variety. This assumption now becomes questionable. Professor Hans A. Bethe of Cornell, one of the principal government consultants on nuclear affairs and for years a leader of the softer, pro-test-ban scientists, is so shaken by the evidence from the Soviet autumn series that he has reversed his position, and publicly advised that we must proceed,

PEOPLE: Former President **Eisenhower** reported furious over U.S. support of UN attacks on Katanga; he's considering making a statement on the subject. . . . Washington sources say **Adlai Stevenson's** decision to stay on at UN did not make **JFK** the happiest man around. They predict Stevenson will be shifted to new spot—or possibly dropped altogether—in a month's to six weeks' time. . . . Prominent among candidates for GOP senatorial nomination in Maryland (Sen. **Butler** is not running again)—**James Gleason,** one-time chief aide to former Sen. **William Knowland,** and **Rogers Morton,** younger brother of Sen. **Thruston Morton,** former GOP National Chairman. . . . Another Republican has won a seat in Texas state legislature: he's 30-year-old **George Korkmas** of Galveston County who ran as **"Tower-Goldwater-Alger** conservative". . . . **Robert Gaston** and a slate of conservatives swept the field in the Dec. 6 election of Los Angeles Young Republicans. Significance: the 5,000-member L. A. group, which has 40% of state membership, is now controlled by Goldwater forces.

The Algerian rebels planning to set up their own news agency. It will be headed by **Serge Michel** (former aide to **Patrice Lumumba),** a Soviet-oriented publicist who is violently anti-French. . . . Laotian Communist chief, Prince **Souphanouvong,** says U.S. Maj. **Lawrence Bailey,** NBC cameraman **Grant Wolfkill,** and "six or seven other Americans" will not be released by Pathet Lao unless Communists are included in coalition Laotian government. . . . **Eduardo Livas Villarreal,** governor of Mexico's state of Nuevo Leon, denies as "absolutely false" a report (*NR Bulletin,* Nov. 11, 1961) concerning his alleged Communist affiliations.

Sen. **Thomas Dodd's** estimate of Katanga President **Moise Tshombe**: "[He's] one of the most impressive men I ever met and one of the most maligned men in history." A "natural leader of men," and a "man of profound intelligence." . . . Quote of the week: "**Fidel Castro** is the most dangerous person for the United States that has ever arisen in Latin America." The speaker: One-time Castro booster-in-chief **Herbert L. Matthews,** at Overseas Press Club book-night. . . . Assistant FBI director **William Sullivan** says Communist spy networks employ 300,000 agents around the world. A prime espionage target, he says, are U.S. industries handling classified defense contracts.

Thorough job: the stuffed horse that now-disgraced Marshal **Voroshilov** (a Stalinist, poor man) used to ride in Red Army parades has disappeared from Soviet Army Museum.

immediately, at a minimum, with extended underground tests (as have many other experts privately).

A report by the AEC (Dec. 9) confirms the news leaks, and refers to the "substantial progress made" and "useful information obtained" by the Soviet Union through its test series. The AEC declares that "there is no reason to believe that the balance of nuclear power has been changed to favor the Soviet Union." For that small comfort, much thanks, but let us not overlook the rather tricky phrasing of the AEC release. The balance has not changed "*to* favor the Soviet Union." By the autumn tests, however, the prior balance *was* changed *in* favor of the Soviet Union. It is certain that our relative nuclear superiority is *less* today, much less, than last summer.

In this whole matter of weapons superiority, it is the direction of change that counts. We are going down, the enemy up. If he remains free to develop as he chooses, while we restrict ourselves to laboratory and paper work, his upward line is eventually bound to cross our downward line.

Must the needs of our security and survival really wait on a go-ahead from Nehru, Sukarno, Nkrumah and U Thant?

Slow Down, Boys, You're Scaring Gore to Death

The attacks on the so-called Extreme Right continue, the general idea being that if you do not agree with the policies of the Administration or, for that matter of the preceding Administration, why you're the kind of person who thinks Eisenhower is a Communist. Our resourceful press has yet to come up with a reasoned analysis of the sources of conservative dissent, preferring to lump together all dissenters as fanatics who suffer from a number of traumata, psychological and physical, ranging from too much Oedipus to too little fluoridated water. Most recent Clarifier is Broadway's Gore Vidal, who in an "analysis" of "conservatism" circulated last week by the Associated Press (opposite an analysis of Liberalism by Wm. F. Buckley Jr.) divulged his insights as follows:

". . . Barry Goldwater is a reactionary . . . the freedom to exploit others is the cornerstone of his philosophy. . . . [Conservatives] want complete freedom to get as much money as possible with no interference from the government. . . . Goldwater's book, *Conscience of a Conservative*, is a hymn to self interest. . . . Those who like to point out that we are a republic not a democracy are totalitarian-minded. . . . In their incontinent attacks on those they dislike (anyone favoring any sort of public welfare is a Communist or Comsymp) and by pretending that there is a vast Communist conspiracy inside the United States (it is not inside but outside) they do their best to divide and confuse. . . . It is the dream of the reactionary to stop the majority cold. . . . I can

• At Home •

Washington

Republican leaders are becoming increasingly bullish about their chances for elephantine gains below the Mason-Dixon line in 1962. They proudly cite victories in South Carolina (the first GOP state legislator since Reconstruction Days), in Louisville (the first Republican mayor in 28 years) and in Mobile (the first Republican mayor there since 1867) as proof that the normally Democratic South is as "solid" as Chester Bowles' future on the New Frontier. The difficulty of the GOP's task can be partially measured by a brief look at the political situation of the five southern states along the Atlantic:

Maryland— Governor Millard Tawes, the Democratic incumbent, is up for re-election in 1962 and is facing primary opposition from George Mahoney, a Baltimore contractor and perennial candidate, and David Hume, son-in-law of Cyrus Eaton and the former treasurer of the Maryland Democratic Party. If he wins the nomination, Tawes is expected to be opposed by Maryland's number one crypto-Republican, Theodore Roosevelt McKeldin.

Senator John Marshall Butler, the senior senator from Maryland, startled politicians in the state and conservatives across the country recently, when he announced that he would not seek re-election for a third term. The senator, whose record and performance as a constitutional conservative have been unimpeachable during his 11 years in the Senate, will be hard to replace.

Over in the House, Charles "Mac" Mathias, a freshman congressman from the 6th district, appears to be a good bet for re-election. The other seven congressional seats will probably remain Democratic.

Virginia— So long as Harry Byrd is active, the Democratic Party remains assured of state domination.

There are no major state-wide elections in 1962, but two Republican congressmen will defend their records next year—Joel Broyhill in the 10th and Richard Poff in the 6th. Broyhill anticipates no serious opposition in 1962, having weathered a massive Liberal Democratic effort in 1960. Congressman Poff did not have a Democratic opponent in 1960. But several Democrats have indicated their determination to unseat Poff, who will be tested severely next year.

North Carolina—Democrats frankly admit that there has been a recent upswing in Republicanism, due in part to a tendency to pick better candidates. Bill Cobb, the GOP state chairman, is well-liked as is Charlie Jonas, the incumbent Republican congressman from the Piedmont region (10th district).

Democrats argue, quite naturally, that there is no immediate prospect for a two-party system in North Carolina because the state has enjoyed reasonably good government for decades. In addition, North Carolina tends to be more moderate than other southern states and does not respond as readily to Goldwater conservatism. Nevertheless it gave Dick Nixon 47.9% of its vote in 1960.

Republican Congressman Jonas, who has been partially gerrymandered, has an excellent chance of holding on to his seat in 1962. Because of redistricting, there is also an outside chance that Democratic districts now occupied by Congressmen Basil Whitener and Hugh Alexander may go Republican. Both districts voted more than 45% GOP in 1960.

South Carolina—Senator Olin D. Johnston of Spartanburg, chairman of the Senate Post Office Committee, a member of the Senate since 1944, a former two-term governor, and a leader of the Democratic party in his state for three decades, must be mystified by two young men named William Workman and Robert Chapman. Both are Republicans and both want their party's nomination to run against Johnston next November.

Conservatively speaking, the odds are 10 to 1 that neither can do it. The odds do not appear to concern either Workman or Chapman who are busily traveling about the state attacking the New Frontier and Senator Johnston's support of it. Workman is best known as the author of *The Case for the South* while Chapman is the chairman of the state Republican committee. Their existence and political bravery are the best current evidence of Republicanism in South Carolina.

Goldwater Republicanism runs strong in South Carolina and in a national election the state would certainly back the Arizona senator or a similar candidate (it gave Nixon 48.8% of the vote in last year's Presidential race).

Florida— There is a definite rise of the Republican Party in Florida. The Eisenhower and Nixon successes in 1952, 1956 and 1960 are one proof. The popularity of Congressman William Cramer of the 1st district (on the West Coast) is another. Some Democrats have predicted, rather woefully, that Republican control of the state is quite possible within fifteen to twenty years. Cramer's district, incidentally, has been split in two and the GOP is favored by some to take the other half.

To win elections you need three things: issues, candidates and organization. In the South, the GOP has the issue—conservatism as opposed to the Liberalism of the New Frontier. Secondly, the GOP is offering more and more attractive candidates more and more of the time. If the GOP develops the necessary organization, a political investor would do well to Buy Republican below the Mason-Dixon line.

QUINCY

see in a time of national panic, the emergence of the first dictatorship in our history. . . ."

Do you wonder the Liberals are terrified? Apparently they think that is what we are thinking, and what we are up to.

Newsweek closed its unimaginative run-down on the conservative upsurge with the exhortation: ". . . now, as ever, only in union is there strength." *Time* Magazine, a week later, closed *its* rundown with the exhortation, ". . . the way to fight the [Communist] danger is to encourage unity at home. . . ." Conservatives in this country are agents of disunity indeed: we will not unite behind our abandonment of Cuba, our acquiescence in the Berlin Wall, our support of the UN's war against Tshombe. This is the kind of thing that's feeding the right-wing revival. The sources of Liberal hallucinations as to its nature, are something else again.

BRIEFS: Since January 1960, 1,800 French army officers have retired—at less than retirement age. Thirteen hundred voluntarily, 500 ordered out. . . . Biggest publicist for the OAS (Secret Army Organization) is Paris daily press, according to *Nation Française* which counted 105 mentions of the OAS in a single day. . . . **Employees of RAI, the nationalized Italian radio network, elected a Communist union to power last month. Italian deputies charge that the RAI is channeling pro-Communist views into Italian homes.**

National Council of Churches having trouble getting financial contributions this year, presumably as result of growing conservative irritation at doctrinaire Liberalism of the group. . . . The American Heritage Foundation reports that nine out of every hundred U.S. families contributed to political campaign in 1960 as against three out of every hundred in 1939. . . . **Communist-front Fair Play for Cuba Committee planning to send delegate to forthcoming World Peace Council meeting in Stockholm to warn that second U.S. invasion of Cuba is "imminent," according to *Worker*. . . .** Sent to UN Sec. Gen. U. Thant, Dec. 10, from the 46 doctors at Elisabethville, Katanga hospital: "WE REGRET YOUR SHAMEFUL LIE THAT YOUR MERCENARIES DO NOT SHOOT AT RED CROSS VEHICLES. YOU WILL HAVE THE RIGHT TO TALK ABOUT SUCH THINGS WHEN YOU HAVE SPENT NIGHTS WITH US IN OUR HOSPITALS BOMBED BY YOUR FAITHLESS AND LAWLESS RUFFIANS."

Advertised in New York buses, a special Christmas gift "for the man who has everything": a beautifully Xmas-wrapped gift package of N.Y. subway tokens.

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• Trends •

The challenge posed by the Common Market, remarked France's ex-Premier Edgar Faure a few years ago, "does not so much create new problems as bring old ones into light." For all the light of publicity and official concern thrown on the expanding European Economic Community, the U.S. has not yet begun to see its bearing on our biggest unresolved problem—Soviet imperialism.

Washington's rhetoric is radical-sounding, but the thoughts expressed are tame. Because the Community is outwardly an economic grouping, the U.S. is discussing developments in Europe almost exclusively in terms of their impact on our trade and economic policies. Such priority is defensible. Certainly it stands to reason that, if our largest customers overseas are moving in the direction of freer trade, so must we, unless we can afford to lose their business. We can't, and that is the substance of the case for reducing U.S. tariffs in exchange for like concessions by the Community.

But the meaning of the events in Europe goes much deeper. The nations of the Old World are not marrying one another only to beget many prosperities. "Make no mistake about it," says Euromart's president, German economist Walter Hallstein, "we are not in business, we are in politics. We are building the United States of Europe." And so they have been, ever since the Treaty of the Coal and Steel Community, signed in 1951, declared its objective to be "a sound, united and strongly constructed Europe." It's time the U.S. ceased thinking of history as simply a free-trade crusade.

In the eyes of Washington, the consolidation of western Europe means slamming the Western door against the Soviets. A note of enthusiasm for something like Fortress Europe rings in speech after speech. East-West competition, Secretary Rusk tells us, "will continue until we have achieved such success in building a world community as to convince the Communists that further efforts to disrupt or to undermine that community are doomed to failure." The President asserts that "if the nations of the West can weld together . . . a common program of action as extraordinary in economic history as NATO was unprecedented in military history, the long-range Communist aim of dividing and encircling us all is doomed to failure."

Unless they cease being Communists, which is precisely what Washington assumes, the strategy of the slammed-door is not going to cause Kremlin planners to grind their teeth in helpless frustration. Western Europe's approaching unity does raise serious obstacles. Used effectively, the Free World's surging economic strength could cause the Communists enormous trouble, not only in Europe but in the contested backward countries. If the West were to apply the full weight of its economic pressure to the many weak points in the satellite system, the Soviet Union would face major new worries. As it is, politics will decide how the West's rising strength is used; and the West gives no sign of abandoning its inferior politics.

Our confident expectation of new strength inspires neither boldness nor imagination. The defensive outlook has hardened to near-*rigor-mortis*. It is not suggested that resurgent western Europe could be, not a barricade, but a beachhead. Quite the contrary, the consolidation of western Europe, under the logic of Containment, requires abandonment of eastern Europe to *its* consolidation at Communist hands.

As if to underscore the retreat from opportunity, Washington is giving ground on critical issues relating to West Germany's future even before the negotiating begins. Even talk of reunification is "unrealistic," as witness Kennedy's incredible admission to *Izvestia* that the Soviets enjoy perpetual veto power.

The successful construction of a united Europe, with free Germany as its foundation, is not nearly so certain as U.S. strategists believe. Bonn's course has not been fixed for eternity by the remarkably long-lived Dr. Adenauer. As the last election showed, even the suspicion of a Berlin sell-out arouses neutralist tendencies lying just below the surface of German politics. A disagreeable "accommodation," in fact, might turn Germans toward the East that holds all the aces.

New Europe's second indispensable country is de Gaulle's France. The General, too, is mortal. A shadow civil war is being waged now; with de Gaulle gone, France could slip back into chaos, which would be exploited to the hilt by Moscow's numerous Fifth Column.

So it is not an easy task, this slamming of doors against history's most accomplished sneak-thieves. The United States of Europe is embryonic and vulnerable. To protect it means to exploit opportunities it offers for keeping the Communists from *their* consolidation. Indeed, a bold offensive offers the only long-run hope that Europe can achieve its destiny.

Impossible? No. Europeans are not so "neutral" as we tell ourselves. Apathy there is a function of our own static strategy. As we read in the just-issued, monumental *Europe's Needs and Resources*, "[The] revival of economic aggressiveness is one of the few certainties that . . . is emerging from the Treaty of Rome: the spirit of competition has been reawakened." This is perhaps the most promising aspect of Europe's great change.

What has been learned (or rediscovered) in the market place can surely be applied in the strategic arena. Indeed, those with an immense and increasing stake in the future cannot entrust it to the naive hope that their efforts to enrich themselves will somehow, without a direct thrust, "doom" the Communist enterprise. It won't happen. The new European knows that if one wishes to survive, one competes to win.

The U.S., however, competes to tie, if it competes at all. Victory is out. It gets harder all the time to say which is the New World and which the Old.

RICHARD WHALEN

• Abroad •

Paris. All informed persons here understand that Brigitte Bardot's "defiance of the OAS," much publicized abroad, was a fraud staged by the Left (with the delighted support of her press agent) through the medium of the *Mendésiste* weekly, *L'Express*. In its issue of Nov. 30 *L'Express* plastered a couple of pages with photostats of two letters. One—mimeographed except for the address—was signed "J. LENOIR, Chief of the Financial Services of OAS," and demanded from BB 50,000 NF ($12,500), with dire threats for non-compliance. This had allegedly reached the magazine enclosed in another letter, in BB's own charming hand, also photostated, and addressed to the editor-in-chief of *L'Express*, as presumably the most appropriate protector against such a murderous extortion threat. BB was terribly brave: the villains "will be quickly put where they can't harm anyone if they everywhere meet a total and public refusal by the persons whom they seek to terrorize by their threats and crimes. In any case, as for me, it's no deal *('je ne marche pas')*, because I have no wish to live in a Nazi country."

Rome. Enrico Mattei, spectacular boss of the Italian energy trust, ENI, has begun negotiations with an Austrian firm controlled by Moscow through the Garant insurance trust. Last winter Mattei made his first big deal for Russian oil in exchange for Italian machines and chemicals. His present objective is a pipeline system to carry Russian oil to central Europe, West Germany, Switzerland and Italy. If Mattei's plans are driven through, the economies—and military forces—of two of the principal NATO nations will become dependent for this key strategic material on the Kremlin.

Katmandu, Nepal. Back of the current Sino-Indian flare-up and Nehru's unaccustomed belligerence of tone lies an autumn development that went largely unnoticed in the Western world. In October, King Mahendra of this border state—traditionally within the Indian sphere of influence—visited Communist China. While he was in Peiping the Nepalese and Communist Chinese Foreign Ministers signed a treaty—of which the text has been kept secret—whereby the Chinese are to build a road connecting Katmandu with China via the Tibetan capital of Lhasa. There has never been a road from Nepal northward. Its outlets have always been south to India, and there is no present economic reason, from Nepal's standpoint, for a northward road. Its primary function is clearly strategic and political: to give China a strategic approach to Nepal that will counterbalance India's.

Rio de Janeiro. While President Joao Goulart's wildly inflationary policies drive the value of the cruzeiro to new lows daily, his brother-in-law, Brizzola, busies himself with the zooming *Frente Nacional Liberaçao* (National Liberation Front) which he and Mauro Borges, governor of Minas Gerais, founded two months ago. The FNL is a classic nationalist-democratic-revolutionary united front. Politically, it joins the nominally outlawed Communists to the radical peasant, labor and student tendencies and the anti-U.S. "national-revolutionary" middle class elements such as supported Fidel Castro in the early Cuban phases. Geographically, the FNL straddles the whole country by linking the southern Goulart-Brizzola stronghold of Minas Gerais with the notoriously impoverished northeastern region. Francisco Juliao, leader of the Peasant Leagues in the northeast, is a charter FNL member. In the past he posed as nationalist and Socialist. Last week, taking his cue from the triumphant Castro, Juliao stated publicly: "I am a Communist and don't care who calls me one. What I want to do is to transplant the Cuban and Russian regimes to Brazil."

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"Mind you—I'm not saying there aren't a few I'd sooner see dead than red."

London. The following quotation from the principal columnist ("Charon") of the influential left-wing *New Statesman* will suggest why it is proving difficult to get a "solid Western front" on "the German question": "For one who has a phobia—not, as I think, utterly unfounded—of armed Germans, any attempt to keep Germany disunited has my enthusiastic support. The more walls they build between East and West the safer I feel. What I cannot understand is why there should be all this indignation, these idiotic suggestions that perhaps we ought to have sent bulldozers in to knock the first wall down the moment the East Germans started putting it up. . . . I thought everybody—except, possibly, a few professional historians—knew by now that more than half the troubles and tragedies of Europe in this century, including the aberrant behavior of the Germans themselves, stems from their forced and unnatural unification under Bismarck. Is the prospect of a second unification under Krupps . . . any less alarming?"

• The Investor •

Deflated stocks often provide an investment area well worth the study. For example, the important growth aluminum industry has fallen on evil days. In order to stimulate aluminum production in the 1950s, the government contracted to buy excess metal from new smelting facilities. But when the government stockpiling program came to an end late in the '50s, the industry's greatly expanded production capacity exceeded demand.

The recession of that period, on top of production over-capacity, had an important impact both on the smelting and fabrication of aluminum. Instead of growing, aluminum company earnings have declined in recent years. Alcoa stock is down 55% in price from its 1956 high of 133½; Reynolds is off 45% from a high of 87⅞ in 1959; Kaiser, 61% from a high of 70¼ in 1956.

The aluminum companies themselves are partially to blame. They seem to have been obsessed with the idea that the greatest mistake they could make would be to lose business to a competitor because of a lack of production capacity and, in consequence, have continued to build up their capacity. And an expansion of production capacity abroad has made North American aluminum less attractive to European buyers. New uses for aluminum continue to be found and many older uses require increased tonnage. But unused capacity has had the usual unhappy effect. Profits have fallen—and sharply.

In attempting to appraise aluminum company earnings over the next three to five years, it is reasonable to assume: 1) that consumers will use more and more aluminum products; 2) that aluminum metal producers and fabricators will slow down in adding to capacity, if only because they will be hard put to find money for expansion, either through borrowing or sale of stock.

It is predictable that at some point, rising demand will mean that facilities will operate at better than 90% of capacity, as opposed to perhaps 80% today. If and when the smelters and plants start producing at better than 90% of capacity, the earnings of the major aluminum companies will catapult. For example, Alcoa's estimated 1961 earnings of $1.75 could jump to $6.50 per share, which would in turn bring about a new high for Alcoa shares.

Perhaps the aluminum industry *is* now a mature industry and company earnings will reach a plateau for this decade as some predict. I believe this thinking stems from the current depressed state of the industry and that the time will come when changed conditions will demonstrate it is a growth industry. But there is the time element. Too many investors are too impatient for immediate return to undertake the kind of long-range investment in the aluminum industry which would bring them a good return according to this analysis. They demand action, preferably tomorrow, but surely within six months.

The airline industry provides another illustration of a rather badly deflated situation. While airline stocks have not declined as far from peak prices as have aluminum shares neither have the airlines, in recent years, achieved such high multiple price-earnings ratios. The earnings of a number of airlines are way down. Some individual lines continue to operate in the black, but the industry is wallowing in red ink. It is a newer industry which has been so badly regulated by the CAB (Civil Aeronautics Board) that little fat was permitted to cover its bones.

This very fact has helped create highly-leveraged airline common stocks. Borrowing for new jet equipment has pushed debt-to-equity ratios to the limit. But it seems safe to assume that airlines will continue under private ownership and that the industry will, in time, operate at a profit.

When this occurs, and it can begin in 1962, earnings per share will snowball. Share prices will respond as they characteristically do under reviving earning power. The airline troubles are not imaginary. They will not just go away by themselves. It will take cooperative effort on the part of the airlines and the CAB, the governmental regulating body. But there is evidence that both the CAB and the airlines recognize the underlying causes of trouble and they will be able to come to some agreement on what remedies to adopt.

The Federal Government bears a major responsibility for the airlines debacle, just as it does for the situation in the aluminum industry.

The Civil Aeronautics Board, followed a politically-popular but economically-disastrous policy of multiplication of route awards in the '50s. Where traffic density might economically justify service by two airlines, the CAB awarded the route to three and four, making it profitable for none. True, every airline route awarded was sought by an airline, but it was the job of the CAB to determine the effects of each award. Competition was the CAB cure for all ills. When this medicine failed, the regulating agency prescribed more of the same.

Now that the public is saddled with expensive duplicate service, the new CAB chairman Alan Boyd is urging mergers—and mergers are necessary to undo previous CAB mistakes. Furthermore, little-used service to small cities must be eliminated. Every city wants airline service and the pressure is on Washington to keep un-economic routes in service regardless of the cost to the carrier.

The airlines have adopted active cost-cutting programs. There are countless economies yet to be undertaken. Joint operation of maintenance facilities at major airports is one. At present, higher coach fares appear necessary. But when the airlines get back on their feet, promotional fares may be developed to increase the overall volume of business.

Major aluminum producers and the better-managed trunk airlines at today's deflated prices offer sufficient capital growth potential to warrant careful consideration from long-term investors.

NORVIN R. GREENE